
Year-End Newsletter

(aka: Stu's Views)

December 2017

NEWS FOR TAX YEAR 2018

Welcome

Happy New Year 2018. Tax change is here. My advice is that you should sit down and have a drink ready. Here's the Good and the Bad.

CHANGES TO TAX LAW:

- The Standard deduction is doubled for those who don't itemize. Good.
- No personal exemptions allowed. Bad.
- Mortgage Interest will be limited to loans of \$750K or less, no HELOCs included. Bad.
- State tax deductions are limited at \$10K. That's Bad.
- No deductions for Miscellaneous Itemized Deductions. Especially Bad for entertainment industry employees.
- Health Insurance penalties are gone. That's Good.
- Health Insurance will be even more limited and more expensive. That's Bad.
- Marginal tax rates are reduced. That's Good. They are not reduced equally. That's Bad.
- The Alternative Minimum Tax is reduced for individuals. Good, but not as good as gone. AMT is gone for Corporations. Good.
- Pass through entity tax is lowered by 20% but we don't know how it will work. No details yet. That's Good, somehow.
- Child tax credit is doubled. That's Good.
- Lots of other things that affect a small number of Taxpayers. Good and Bad.

Reminders from last year:

All W-2's and 1099's must be sent to IRS and the recipient on or before January 31, 2018. Penalties have doubled if you are late.

S Corporation, Partnership and LLC **filing deadline** is now **March 15, 2018**. The C Corporation deadline has moved to **April 15, 2018** for calendar year corporations.

Foreign Assets:

If you have \$10,000 or more of foreign bank or stock accounts during the prior year let us know before April 15 even if you file an extension each year. There are large penalties for not disclosing even if it is not taxable. That includes FBAR and FinCen Reporting. If you have any accounts outside the US, you need to report.

The Estate Tax Exemption has doubled to \$10.8 Million. You know who you are.

Retirement Funds:

Defined Contribution plan limits are increased to \$53,000 for 2017. SEP IRA's and other defined Contribution plans allow contributions up to 20% of net business income.

**Employee 401K salary deferral plans allow contributions up to \$18,000 for 2017. Plus, you can contribute an additional \$6,000 if you are age 50 or over. The self-employed 401K program can be used with the profit sharing plan that combines both a SEP and 401K in one account.

**IRA contribution maximums are \$5,500 for 2017. The deadline is April 15, 2018. Taxpayers 50 years and older can increase IRA contributions by \$1,000 per year through the year 2018.

Stock Sales:

If you sold stock in 2017 we need the original cost basis and purchase date of stock sold along with form 1099-B.

Business Equipment:

If you purchased equipment or furniture for your business we need the date, description, and amount paid for each item.

Mileage:

If you used your auto for business we need total miles, business miles, and actual expenses for each vehicle. The standard mileage rate has been increased to 54.5 cents per mile for 2017.

Charitable Deductions:

You now must have cancelled checks or a receipt for all cash donations. If donations are greater than \$250 you need a receipt from the organization. Noncash donations (clothing & household goods) over \$500 require an itemized receipt from the organization with a description and value of each item donated.

Child Care Expenses:

We need the name, address, phone and tax ID number of the care provider as well as the amount paid for each provider and each child.

Business Use of Home:

A home office qualifies as a Taxpayer's principal place of business if: (1) Office is used by taxpayer to conduct administrative or management activities of taxpayer's trade or business; and (2) There is no other fixed location of the trade or business.

Qualified State Tuition Programs:

California has a "qualified state tuition program" for qualified higher educational expenses. The California plan uses TIAA-CREF. You can find more information on the Internet at: www.collegesavings.org.

Federal and State contact email:

Internet addresses are: www.irs.gov and www.ftb.ca.gov. Good luck calling. Wait times are over an hour.

Year-End Newsletter**Trouble in LA City:**

The City of Los Angeles is contacting residents who have a small business to file for a city business license. If you receive a 1099, they may be looking for you. Their email address is www.lacity.org.

Identity Theft:

Have you been victimized recently? This is the fastest growing illegal activity. We have a checklist to follow if you are a victim.

Fake IRS phone calls:

Don't fall for this scam. Call us to handle these for you. IRS will not call you before first sending a series of letters to you.

Many Have Asked:

Yes, it's OK to mail, email, or fax information to us instead of wasting time and gas fighting traffic. I prefer to meet with you, but I value your time and don't need to see you in person. We can set up a phone appointment.

Tax appointment reminders:

Please bring forms W-2, 1099, 1098 and K-1s. If you do not have them at the time of your appointment be sure to fax, mail, or scan and email them to us when you receive them. If you refinanced or sold or purchased real estate, please bring your escrow closing statement.

Our new protections and procedures:

IRS and FTB have received a deluge of fake tax returns by Identity Theft. For your protection, we now only use password protected or secure links for attachments. We also now offer electronic signature for your convenience.

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We wish you a happy, healthy, and prosperous year in 2018.

Stuart R. Paul, EA